

## Strategic Direction One: Access & Opportunity

*The Minnesota State Colleges and Universities will provide more people from different backgrounds with the opportunity to experience the benefits of higher education.*

### Indicator 1: Access to Programs & Courses

#### Measure 1B: Graduate Debt Burden

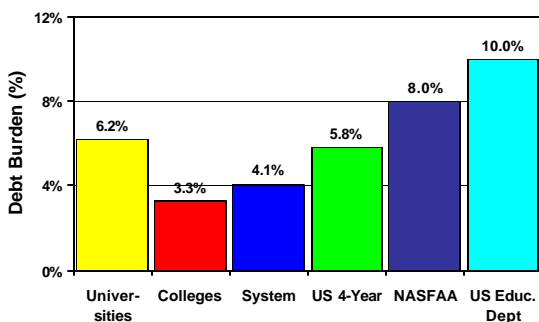
**Definition:** Measure 1B reports system graduates' student loan principal and interest payments as a percent of their average monthly income. Average monthly income was measured in the year that begins with the third calendar quarter after the quarter of graduation. This is typically the point in time when graduates begin to make payments on their student loans. Graduates' loan balances include borrowing from federal and Minnesota state student loan programs at all colleges and/or universities they attended.

**Significance:** Measure 1B is significant in that it indicates the percent of income that graduates must commit to their education costs at a time when many are establishing households and beginning families. This measure is complementary to Measure 1C, Affordability Index, which indicates the proportion of the costs of attendance paid by students and their families while they are attending.

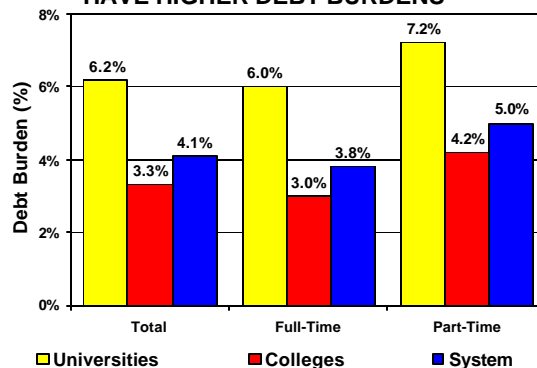
**Measure:** System graduates in Fiscal Year 2002 who borrowed to finance their postsecondary education had a median debt burden of 4.1 percent of the monthly income, as shown in Figure 1B-1. The median debt burden was 6.2 percent for state university graduates and 3.3 percent for state college graduates.

**Context:** The U.S. median debt burden for graduates of non-doctoral universities in 2000 was 5.8 percent, compared to the 6.2 percent figure for state university graduates, as shown in Figure 1B-1. Two organizations have established thresholds to indicate the level of debt burden that is of concern to policy makers. The National Association of Student Financial Aid Administrators (NASFAA) indicates that debt burdens should be below 8 percent to reduce the risk of loan defaults. The U.S. Education Department has established a goal of keeping the federal student loan debt burden below 10 percent.

**Figure 1B – 1  
SYSTEM GRADUATES'  
DEBT BURDEN IS SLIGHTLY BELOW  
U.S. AVERAGE**



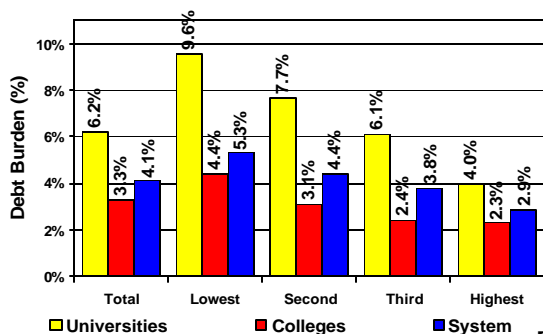
**Figure 1B – 2  
GRADUATES EMPLOYED PART-TIME  
HAVE HIGHER DEBT BURDENS**



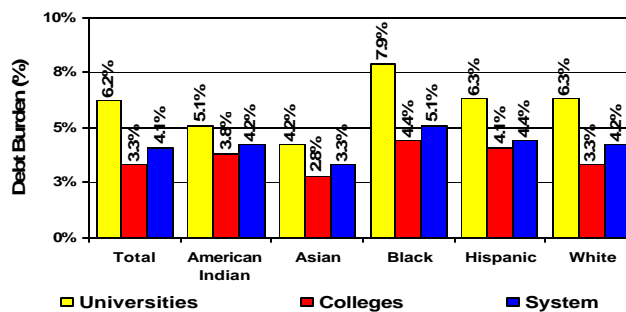
Graduates employed part-time had higher debt burdens than graduates employed full-time, as shown in Figure 1B-2. Graduates in the lowest income quartile after graduation had higher debt burdens (5.3 percent) than did graduates in the highest income quartile (2.9 percent), as shown in Figure 1B-3. State university graduates in the lowest income quartile had a median debt burden of 10 percent which is higher than the NASFAA threshold and equal to the U.S. Education Department threshold.

Black graduates had higher debt burdens (5.1 percent) than did white graduates (4.2 percent), American Indian graduates (4.2 percent), Asian graduates (3.3 percent) or Hispanic graduates (4.4 percent), as shown in Figure 1B-4. Black graduates from state universities had a median debt burden of 8 percent, which was almost equal to the NASFAA threshold.

**Figure 1B – 3  
LOWEST-INCOME GRADUATES  
HAVE DEBT BURDENS NEAR THRESHOLD**



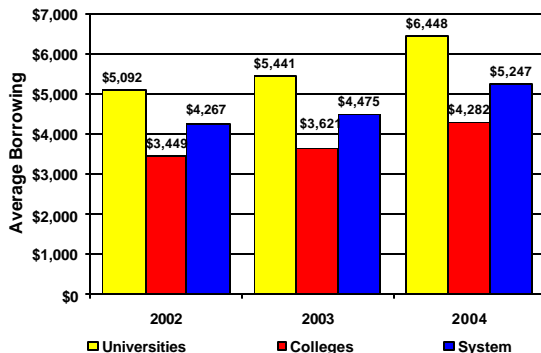
**Figure 1B – 4  
BLACK GRADUATES  
HAVE HIGHER DEBT BURDENS**



**Trends:** Recent trends in student borrowing

suggest that the system will see increases in graduate debt burden and in the number of graduates with student loan debt during the next several years. The average amount that students borrowed increased by 23 percent or \$1,000 between Fiscal Years 2002 and 2004, as shown in Figure 1B-5. During the same time period, the number of students borrowing increased by 30 percent from 58,819 to 76,549, as shown in Figure 1B-6. The number of students borrowing at the state colleges increased by 45 percent. The combination of increased borrowing and more students borrowing resulted in a 60 percent increase in total borrowing from \$250.1 million in Fiscal Year 2002 to \$401.7 million in Fiscal Year 2004.

**Figure 1B – 5  
AVERAGE BORROWING INCREASED BY  
23 PERCENT OR \$1,000 IN TWO YEARS**



**Figure 1B – 6  
NUMBER OF STUDENTS BORROWING HAS  
INCREASED BY 30 PERCENT IN TWO YEARS**

